

AGENDA: January 28, 2003

7.1

CATEGORY: Unfinished Business

DEPT.: Public Works

TITLE: Mountain View Chamber of Commerce—
Proposed Lease Extension and Reporting
Criteria

RECOMMENDATION

Approve the Chamber of Commerce Ad Hoc Committee recommendation to:

Authorize the City Manager to extend and amend the Mountain View Chamber of Commerce (Chamber) building lease incorporating the following terms:

- A three-year lease extension at no cost to the Chamber with one two-year optional extension.
- Delineation of specific services the Chamber is to provide of benefit to the City in lieu of rent (Exhibit A of the staff report).
- An annual report to the City from the Chamber detailing services provided (Exhibit B of the staff report).
- No external expansion of the existing facility during the term of the lease.

FISCAL IMPACT

There is no fiscal impact associated with the recommended action. The City has not charged rent to the Chamber during its 40-year tenancy on City-owned Civic Center property. The proposed lease extension continues that practice with the addition of requiring specific services to be provided in-lieu of rent and an annual reporting requirement.

BACKGROUND AND ANALYSIS

Since 1999, the Mountain View Chamber of Commerce has had ongoing discussion with City staff and the City Council to define the relationship between the two organizations. Historically, the City has not provided direct funding to Chamber programs and services but has supported the Chamber since 1963 by leasing land to the Chamber for offices for \$1 per year.

In 1999, discussions between the Chamber and City focused on the possibility of a Chamber tenancy at Centennial Plaza. During those discussions, the Chamber first advanced the concept of a fee-for-service contract with the City. After a period of discussion and analysis, both the Chamber and the City concluded it was not financially feasible for the Chamber to construct a new facility at Centennial Plaza.

Subsequently, in February 2001, the City Council extended the Chamber's lease at the existing Civic Center location for three years with rent increasing to market rates in the third year. At that time, the market value of the Chamber's leasehold was valued at \$20,000.

In May 2001, the City Council convened a study session to further discuss the fee-for-service concept. A number of ideas and concerns about a fee-for-service arrangement were discussed with no clear consensus emerging about an appropriate level of support or the desired scope of services.

In January 2002, the Chamber sent a letter to Mayor Lieber asking the City to enter into a fee-for-service arrangement in an amount equivalent to the increased lease rent for their offices. In that letter, the Chamber President/CEO cited the challenging economic times facing both the Chamber and the City. The Chamber's request was agendized for City Council action in February 2002; however, the City Council confirmed the existing rent and asked staff to bring the topic back after the Fiscal Year 2002-03 budget was adopted.

In April 2002, Councilmember Faravelli asked the City Council to reconsider and reduce the rent to \$1 per year for an additional two-year period. The City Council approved a one-year reduction and directed the formation of an ad hoc committee to review and develop recommendations for a fee-for-service arrangement.

Attached are relevant background materials regarding the relationship between the Chamber and the City:

- Exhibit C—February 26, 2002 City Council report and minutes. This document also includes the May 2001 study session report and minutes. (Attachments to the study session report include the February 2001 lease extension report, an April 2001 memorandum from the Chamber outlining the value of their services and a survey of how other cities provide financial support to their chambers. Also included is the January 2002 letter from the Chamber requesting a fee for service to offset rent.)
- Exhibit D—April 23, 2002 City Council report and minutes requesting reconsideration of the lease rent. Action to form the ad hoc committee was taken on that date.

THE AD HOC COMMITTEE ANALYSIS

Between July 2002 and December 2002, the Ad Hoc Committee (Committee) and Chamber met four times to discuss the relationship between the two entities. During the process, the Committee updated the survey of other city/chamber relationships (Exhibit E), explored ways the Chamber could compliment and enhance City economic development initiatives and support to local businesses. Below are key topics discussed by the Ad Hoc Committee and Chamber representatives:

- Potential establishment of a Chamber-operated visitor's bureau.
- How a more formal relationship could be established between the Chamber and the Central Business Association.
- Whether and how the Chamber could play a more significant role to complement City economic development initiatives, pending completion of the City economic development study.
- The economic benefits to the nonprofit organizations participating in the Art and Wine Festival.
- Whether the Chamber should be a member-focused organization or an organization that works for the benefit of all businesses in the City.
- Whether Chamber activities and other downtown festivals should be evaluated from a return-on-investment perspective.

In September, the Chamber introduced a revised fee-for-service proposal that included two options: Option A maintained the current level of service provided by the Chamber, and Option B outlined an expanded level of service incorporating concepts developed during the Ad Hoc Committee process. Exhibit F is the September 12, 2002 proposal from the Chamber to the Ad Hoc Committee.

THE AD HOC COMMITTEE RECOMMENDATION

The Ad Hoc Committee developed the recommended course of action to the City Council at their December 18, 2002 meeting. Exhibit G is the minutes from that meeting. The Committee recognized that in the current economic climate, the City is not in a position to enter into a fee-for-service contract for existing or enhanced services nor is the Chamber in a position to provide additional services, without additional revenue, for the foreseeable

future. For this reason, there is limited value in continuing a discussion regarding enhanced Chamber services.

In addition, the Chamber's current financial status precludes them from looking for new and larger offices until they develop a new business model that allows them to move and pay rent.

In light of the economic reality that the City cannot pay for more services and the Chamber cannot provide them, the Ad Hoc Committee recommends an alternative approach to reframe the long-standing lease relationship to set the stage for future discussion when the economy improves. Rather than continuing the lease for \$1 a year, the Committee recommends extending the lease in return for the provision of specific services. The Chamber would also be required to provide an annual report of its activities and services of benefit to the City. The proposed scope of services is found in Exhibit A, and the associated performance measures are found in Exhibit B. The Committee recommendation also precludes the Chamber from expanding its current facility during the lease term.

ALTERNATIVES

1. The City could continue working toward a fee-for-service arrangement with associated General Fund impacts to the City.
2. The City could extend the lease without the recommended performance requirements.
3. The City could renew the lease and allow the rent provisions in the lease to take effect.
4. The City could choose not to renew the lease, terminating the Chamber's tenancy.

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PUBLIC NOTICING—Agenda posting.

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CRL/8/CAM
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- Exhibits:
- A. Services To Be Provided
 - B. Lease Performance Measures
 - C. February 26, 2002 City Council Report and Minutes
 - D. April 23, 2002 City Council Report and Minutes
 - E. Survey of Other City/Chamber Relationships
 - F. September 12, 2002 Proposal
 - G. December 18, 2002 Meeting Minutes

cc: Ms. Carol Olson, President and CEO
Mountain View Chamber of Commerce

Ms. Karen Cabello, Executive Director
Central Business Association

EDM, TPM, SAA—Skinner, RPM, F/c